

Background

Council approved a new Capital Budget Policy in January 2019 to replace an existing policy that had been in effect since 2012. New oversight requirements now exist that call for project status to be regularly reported. Regular information about the progress of capital projects is important so that adjustments or changes to planned activities, where required, can be made in a timely fashion. When certain triggering events occur, such as 24 months passing with no activity on an approved project, the policy calls for staff to further review the project and the reasons for inactivity.

Analysis

The new Capital Budget Policy aligns capital budgeting practices with the principles described in the Asset Management Strategy and the long-term perspective anticipated by the Long Term Financial Plan. The Policy provides City Council with more, and more direct, control over capital project selection. It increases transparency and accountability for results.

The Policy encourages timely project completion. Under the previous policy it was possible for a project to remain inactive for several periods after Council approval. This occurred when staff resources were not available to support the project, new priorities were introduced that require resources to be redirected, or conditions affecting the specific project changed and required plans to be reassessed. The new policy calls for approved projects that experience 24 months of inactivity to be closed and funds returned to the Holding Account. If the project is still required, it would re-enter the prioritization process and be considered along with other capital project priorities.

This manages the risk that scarce capital funds are sitting idle when they could be redeployed to fund other work that achieves Council's priorities and meets recognized community needs. The Capital Budget Policy states:

If a Capital Project has not had any activity for 24 months the project will be closed and the remaining project funds will be transferred to the Holding Account or relevant capital financing reserve fund where applicable. The ELT member can request that the CAO approve an extension in exceptional circumstances.

With the approval of the new Capital Budget Policy in January 2019, this report describes the results of the first review by departments of all capital projects that did not have any activity in the last 24 months.

Preliminary Cancelled Project Funds List and Approved Business Cases

Council received preliminary information about this work during its review of the 2019 Budget. In response to a direction to identify budget adjustments that would reduce the tax levy change indicated in the 2019 Budget Directions, staff identified some

capital projects with no activity for at least 24 months that could be closed and the funds reallocated to address other priorities.

The normal process anticipates funds from closed capital projects would be returned to their funding source and be available for future capital budgets. Since this is the initial application of the policy, there is a relatively larger list of capital projects that are subject to closure and funding transfer. During the 2019 Budget deliberations, Council expressed interest in considering the reallocation of funds from closed projects and wanted to explore the potential to fund other capital projects that would otherwise not be included in the 2019 Budget.

During the 2019 Budget Deliberations a number of business cases were approved that identified funds from closed capital projects as the funding source. This included:

1. Transit Action Plan – Frequent, Core and Community Connector Routes and Sunday Service - \$230,000, for 2019, \$460,000 for 2020 – FA2019-15A6
2. Junction Creek Stewardship funding - \$40,000 – FA2019-15A11
3. Surface Treatment and Large Asphalt Patching - \$1,376,667 FA2019-16

These business cases/investments totaled \$2,106,667.

Capital Business Cases for Further Review and Final Listing of Cancelled Project Funds

There were also capital project business cases considered during the 2019 Budget that were not funded and not included in the final, approved budget. Council requested staff to note these projects in this report in anticipation of further deliberations about whether to fund them using funds from the final list of inactive cancelled capital projects (attached in Appendix B as they appeared in the 2019 Budget Document). The business cases are:

1. Whitson River Waterway Trail – page 239 - \$1,850,000
2. Valley East Twin Pad Detailed Design – page 246 - \$1,500,000
3. Pioneer Manor Bed Redevelopment – page 262 - \$324,938

These business cases total \$3,674,938. There are also capital projects considered in prior periods, but not yet funded and not specifically noted here, that Council may want to reintroduce for further consideration.

Funds from closed projects that are not immediately required to establish a Holding Account or that must be returned to a Dedicated Reserve total \$0.8M for tax-supported services (from 45 projects), and \$4.3M for water/wastewater services (from 65 projects). Appendix A provides details about each inactive, closed project.

It is important to note that where these projects are still required, they will be subject to further review and prioritization in future capital budgets.

Conclusion

This report provides the increased transparency and accountability offered in the new Capital Budget Policy by providing a summary of cancelled projects with no activity for at least 24 months as of December 31, 2018.

Relevant Links for Further Information:

1. City Council meeting of January 15, 2019

Staff report: Capital Budget Policy

<http://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&id=1303&itemid=15907&lang=en>